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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

X

In re:

:

: Chapter 11

SEARS HOLDINGS CORPORATION, et al.,¹

:

: Case No. 18-23538 (RDD)

Debtors.

:

: (Jointly Administered)

X

**LIMITED OBJECTION OF ROSY BLUE, INC. TO MOTION OF DEBTORS
FOR APPROVAL OF (I) PROCEDURES FOR STORE CLOSING SALES AND
(II) ASSUMPTION OF LIQUIDATION CONSULTING AGREEMENT**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovate Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SRC Sparrow 1 LLC (None); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); SRC Sparrow 2 LLC (None); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); SRC O.P. LLC (None); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); SRC Facilities LLC (None); and SRC Real Estate (TX), LLC (None). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

Rosy Blue, Inc. (“RB”), by and through its undersigned counsel, hereby submit this limited objection (the “Limited Objection”) to the *Motion of Debtors for Approval of (I) Procedures for Store Closing Sales and (II) Assumption of Liquidation Consulting Agreement* [Docket No. 23] (the “Store Closing Motion”). In support of this Limited Objection, RB respectfully states as follows:

LIMITED OBJECTION

1. RB and debtors, Sears Holdings Corporation, Kmart Corporation, and Sears Roebuck and Co. (the “Debtor”), are parties to a consignment agreement (the “Consignment Agreement”) entered into in September 20, 2013, pursuant to which they entered into a consignment arrangement for certain jewelry products (the “Products”) of RB. Pursuant to the Consignment Agreement, RB delivered the Products to the Debtor, but retained title and ownership of the Products until sold by the Debtor. RB properly perfected its security interests in the Products pursuant to the applicable provisions of the Uniform Commercial Code (the “UCC”) including filing UCC continuation statements in March 2018. Finally, RB also provided notice to the Advantage Group as recently as September 28, 2018. RB’s interest in the Products is senior to any liens or claims held by another secured party.

2. In the Store Closing Motion, the Debtors seek authority to, among other things, liquidate all of the inventory at the Closing Stores², whether they own it or not. The Store Closing Motion fails to address the inventory belonging to RB or other consignors and fails to provide for any adequate protection to RB or other consignors in connection with the Store Closing Sales. Courts have rejected sales of such consigned goods absent adequate protection to or consent from the consignment vendors. See In re Whitehall Jewelers Holdings, Inc., Case No. 08-11261, 2008 WL 2951974, at *8 (Bankr. D. Del. July 28, 2008) (bankruptcy court refused to

² Capitalized terms not defined herein are as defined in the Store Closing Motion.

allow debtors to sell consigned goods absent providing adequate protection to or consent from the consignment vendors).

3. In addition, here the proceeds of any Products that were provided to the Debtors by RB must be held in trust in accordance with this *Court's Order Authorizing the Debtors to (I) Maintain Certain Trust Fund Programs, (II) Release Certain Funds Held in Trust, and (III) Continue to Perform and Honor Related Obligations* [Docket Number 167] entered on October 18, 2018

4. Thus, absent RB's consent or receipt of adequate protection of its interests, the procedures proposed by the Debtors in the Store Closing Motion must be rejected by this Court, as the Whitehall court rejected similar procedures

5. The procedures proposed by the Debtors in the Store Closing Motion are those that must be rejected by this Court as they were by the Whitehall court.

CONCLUSION

6. Based on the foregoing, RB requests that (i) the Store Closing Motion be denied to the extent set forth herein and (ii) it be granted such other relief as is just and proper.

Dated: New York, New York
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